

WESTERN DEPARTMENT STORES

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION
CORPORATION FILE

REPORT to STOCKHOLDERS

January 31, 1949

Stores operated:

OLDS, WORTMAN & KING

Portland
Est. 1851

KAHN'S

Oakland
Est. 1879

RHODES BROTHERS

Tacoma
Est. 1892

MRB
Corp. File

WESTERN DEPARTMENT STORES

A California Corporation

Incorporated in 1937

BOARD OF DIRECTORS

HERBERT E. CLAYBURGH

JOHN J. REILLY

JOHN J. GOLDBERG

JOHN J. REILLY, JR.

CECIL L. MARTIN

F. A. WICKETT

OFFICERS

JOHN J. REILLY *President*

HERBERT E. CLAYBURGH *Vice-President*

HAROLD V. BOGGS *Vice-President in Charge of Merchandising*

HARRY A. D. SMITH *Vice-President and Manager of Olds, Wortman & King*

CECIL L. MARTIN *Vice-President and Manager of Rhodes Brothers*

R. L. CHILDS *Secretary and Treasurer*

JOHN J. GOLDBERG *Assistant Secretary*

A. K. HUMBLE *Assistant Secretary*

H. W. RHEUBOTTOM *Assistant Treasurer*

LEGAL COUNSEL

JESSE H. STEINHART

PUBLIC ACCOUNTANTS

PRICE, WATERHOUSE & CO.

TRANSFER AGENT

THE ANGLO CALIFORNIA NATIONAL BANK

OF SAN FRANCISCO

No. 1 Sansome Street

San Francisco 20, California

REGISTRAR

WELLS FARGO BANK & UNION

TRUST CO.

Montgomery and Market Streets

San Francisco, California

Annual Stockholders Meeting . . . Oakland, California, Tuesday, May 24, 1949, 11:00 o'clock A.M.

Executive Offices 1501 Broadway, Oakland, California (Kahn's Department Store)

May 4, 1949

To the Stockholders of

WESTERN DEPARTMENT STORES:

Submitted herewith are financial statements of your corporation for the fiscal year ending January 31, 1949, examined and reported upon by our independent auditors, Price, Waterhouse & Co. These statements reflect the operation by the corporation of its three department stores: Kahn's, Oakland; Olds, Wortman & King, Portland; and Rhodes Brothers, Tacoma.

The accompanying comparative statement of profit and loss discloses a slightly higher profit for the year over the previous year. Net sales were less than in the previous year, due to closing of our Tacoma Store caused by a strike of the Clerks' Unions, which commenced August 9, 1948 and ended October 24, 1948. Profits for the current year were likewise adversely affected by the Tacoma strike. Other stores in Tacoma were closed during the strike period.

The corporation earned \$4.06 per share on the 346,364 shares of common stock outstanding at the close of the fiscal year, compared to \$3.96 per share earned in the previous year.

Operating results for the past five years are summarized hereunder:

Year Ending January 31	Sales	Profit Before Federal Taxes	Federal Taxes	Net Profit
1949	\$29,730,871	\$2,278,595	\$ 870,000	\$1,408,595
1948	30,334,825	2,228,745	855,000	1,373,745
1947	28,899,078	2,989,947	1,150,000	1,839,947
1946	25,345,474	3,436,434	2,385,000	1,051,434
1945	22,765,350	3,296,685	2,425,000	871,685

Working capital of the corporation at the end of the year was \$6,008,325 compared to \$5,725,650 at the end of the previous year. The ratio of current assets to current liabilities this year is 3.29 to 1 compared to 2.95 to 1 the previous year.

Dividends have continued at the rate of 40¢ a share, quarterly, and a dividend of the same amount was paid April 1, 1949.

Merchandise inventories, including goods in transit, on January 31, 1949, were \$629,556 lower than the previous year.

Customers' accounts receivable have increased over the previous year. A larger proportion of our sales is in charge accounts and it is expected that this trend will continue.

The principal phases of the program of modernizing the three Stores will have been completed by the Fall of 1949. Work in the Portland Store was substantially completed last year. In the Oakland Store the major improvements have been completed except for installation of two freight elevators and one service elevator. Additional cost to completion is estimated at \$200,000.00. Work under way in the Tacoma Store includes a new front on the Main Building, conversion of a stock room floor in the Annex Building to a selling floor and providing access from the Annex Building to the several floors of the adjacent new building being constructed for lease to the corporation. The cost of the work being done by the corporation will be approximately \$200,000.00.

During the year, to defray a part of the cost of the modernizing program, the corporation borrowed the balance of the \$1,500,000 term loan arranged the previous year.

In September 1948 the cycle billing plan was installed in the Oakland Store, thereby completing this improved service to customers of our three Stores.

At the close of the year, the corporation's half interest in real property jointly owned with the Oakland Store's landlord and under lease agreement for customers' parking use was sold to the landlord. The lease covering the parking service remains in effect.

During the past year we experienced increased payroll costs and operating expenses. We shall continue to place emphasis on operating efficiency, at the same time striving to improve the services to our customers.

It is with deep regret that we report that Mr. F. R. McGrew, a director and vice president and treasurer for many years, resigned effective February 1, 1949, for reasons of health.

Our appreciation is expressed to the personnel of the entire organization for their spirit of loyalty and earnest cooperation during the past year. Such continued response inspires confidence in the ability of the organization to meet future problems.

For the Board of Directors

JOHN J. REILLY, President.

WESTERN DEPA
(A California

BALANCE

(See accompanying note

ASSETS

January 31

	1949	1948
Current Assets:		
Cash in banks and on hand.....	\$ 1,671,369.24	\$ 1,455,174.60
Accounts receivable:		
Customers	\$ 3,379,997.47	\$ 2,969,820.06
Sundry	86,300.10	96,646.85
	\$ 3,466,297.57	\$ 3,066,466.91
Less—Allowance for doubtful accounts.....	268,879.46	243,061.55
	\$ 3,197,418.11	\$ 2,823,405.36
Inventories of merchandise:		
On hand, at or below cost, as determined by the retail inven-		
tory method	\$ 3,382,229.49	\$ 3,753,601.93
In transit, at cost.....	373,754.47	631,938.58
	\$ 3,755,983.96	\$ 4,385,540.51
Total current assets.....	\$ 8,624,771.31	\$ 8,664,120.47
Miscellaneous Investments, Deposits and Advances.....	\$ 52,580.99	\$ 49,146.94
Property Accounts, at cost:		
Buildings, furniture and fixtures, etc.....	\$ 1,499,901.88	\$ 1,326,720.82
Leasehold and improvements to leased buildings.....	2,823,896.62	1,632,289.52
	\$ 4,323,798.50	\$ 2,959,010.34
Less—Accumulated depreciation and amortization.....	1,707,033.34	1,611,363.18
	\$ 2,616,765.16	\$ 1,347,647.16
Land (including undivided one-half interest in real estate, \$138,979.76, at January 31 1948).....	51,500.00	212,479.76
	\$ 2,668,265.16	\$ 1,560,126.92
Deferred Charges:		
Unexpired insurance, prepaid taxes and other expenses.....	\$ 226,498.42	\$ 166,192.84
	\$11,572,115.88	\$10,439,587.17

PARTMENT STORES

(Corporation)

3 SHEET

to financial statements)

LIABILITIES

January 31

1949

1948

Current Liabilities:

Accounts payable, trade	\$ 1,580,930.60	\$ 1,866,028.97
Payrolls, taxes and other accrued liabilities	833,970.97	992,967.64
Federal income taxes, estimated	901,544.11	879,473.59
Less—United States Treasury Savings Notes—Tax Series C....	(800,000.00)	(800,000.00)
Note payable to bank—instalment due within one year (Note)	100,000.00	

Total current liabilities	\$ 2,616,445.68	\$ 2,938,470.20
---------------------------------	-----------------	-----------------

Note Payable to Bank (Note)	\$ 1,500,000.00	\$ 800,000.00
-----------------------------------	-----------------	---------------

Less—Instalment due within one year classified under current liabilities	100,000.00	
	<u>\$ 1,400,000.00</u>	<u>\$ 800,000.00</u>

Capital Stock and Surplus:

Capital stock:

Common stock, par value \$0.50 per share:

Authorized	600,000 shares		
Issued	351,364 shares		
Less—In treasury	5,000 shares		
	<u>346,364 shares</u>	\$ 175,682.00	\$ 175,682.00

Excess of par value of 6% cumulative convertible preferred stock over par value of common stock issued in exchange therefor	1,610,040.00	1,610,040.00
---	--------------	--------------

Stated capital	\$ 1,785,722.00	\$ 1,785,722.00
----------------------	-----------------	-----------------

Paid-in surplus	\$ 240,350.00	\$ 240,350.00
-----------------------	---------------	---------------

Earned surplus since reorganization, April 8, 1937 (Note) :

Appropriated for possible future decline of inventory values	\$ 500,000.00	\$ 500,000.00
Unappropriated, per accompanying statement	5,029,598.20	4,175,044.97
	<u>\$ 5,529,598.20</u>	<u>\$ 4,675,044.97</u>
	<u>\$11,572,115.88</u>	<u>\$10,439,587.17</u>

WESTERN DEPARTMENT STORES

STATEMENT OF PROFIT AND LOSS AND UNAPPROPRIATED EARNED SURPLUS

(See accompanying note to financial statements)

	Year ended January 31	
	1949	1948
Net sales, including leased departments.....	\$29,730,870.60	\$30,334,824.58
Less—Sales of leased departments.....	4,523,818.57	4,475,546.79
	\$25,207,052.03	\$25,859,277.79
Cost of merchandise sold.....	17,154,439.21	17,734,013.32
Gross profit—own departments.....	\$ 8,052,612.82	\$ 8,125,264.47
Discounts on purchases.....	675,739.12	725,021.83
Gross income from leased departments.....	601,563.76	565,120.98
Other income and credits.....	137,509.05	126,458.32
	\$ 9,467,424.75	\$ 9,541,865.60
Selling, general and administrative expenses.....	\$ 6,875,761.08	\$ 6,922,502.16
Contribution under profit sharing retirement plan.....	163,206.05	237,483.14
Provision for depreciation and amortization.....	103,452.45	67,487.89
Interest expense	39,916.36	4,452.69
Other charges	6,493.98	81,195.09
	\$ 7,188,829.92	\$ 7,313,120.97
	\$ 2,278,594.83	\$ 2,228,744.63
Provision for estimated Federal income taxes.....	870,000.00	855,000.00
Profit for year.....	\$ 1,408,594.83	\$ 1,373,744.63
Unappropriated earned surplus at beginning of year.....	4,175,044.97	3,355,333.14
	\$ 5,583,639.80	\$ 4,729,077.77
Less—Dividends paid in cash, \$1.60 per share each year.....	554,041.60	554,032.80
Unappropriated earned surplus at end of year (accumulated since reorganization, April 8 1937) (Note)...	\$ 5,029,598.20	\$ 4,175,044.97

WESTERN DEPARTMENT STORES

NOTE TO FINANCIAL STATEMENTS

The note payable to bank is payable in annual instalments of \$100,000 in 1950 and 1951, \$150,000 in 1952 and 1953, and \$200,000 in years 1954 to 1958, inclusive. The loan agreement with the bank provides that, without the prior written consent of the bank, the Company will not declare or pay any dividends except out of earnings subsequent to January 31 1947. The undistributed earned surplus since that date amounted to \$1,674,265.06. The Company also covenants that, during the term of the loan, it will not permit its net current assets to decline below \$3,000,000 or its ratio of current assets to current liabilities to be less than two to one.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors,

WESTERN DEPARTMENT STORES

We have examined the balance sheet of Western Department Stores as at January 31 1949 and the related statement of profit and loss and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the position of Western Department Stores at January 31 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

San Francisco 4

April 12 1949

